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SUPERTEST PETROLEUM CORPORATION, LIMITED

1967
ANNUAL
REPORT



In addition to several new stations built in the Montreal area, a modern, attractive service centre opened during May at Odessa, Ontario, on the Macdonald-Cartier Freeway (Highway 401) midway between Toronto and Montreal.

433-2377



SUPERTEST PETROLEUM CORPORATION, LIMITED

Canada's All Canadian Company

DIRECTORS

- ✓ S. C. BACON
- ✓ R. G. IVEY, Q.C., LL.D.
- ✓ F. W. P. JONES
- ✓ J. D. JUDGE
- ✓ D. D. C. McGEACHY
- ✓ R. W. MITCHELL, M.B.E., Q.C.
- ✓ F. J. MOORE
- ✓ F. L. NORWOOD, F.C.A.
- ✓ J. A. TAYLOR
- ✓ A. S. THOMPSON
- ✓ JAMES G. THOMPSON
- ✓ J. G. THOMPSON
- ✓ D. G. WALLACE
- ✓ LIEUT.-COL. D. B. WELDON, M.C.

OFFICERS

- J. G. THOMPSON . . . *Chairman of the Board*
- JAMES G. THOMPSON *President* *Son of*
- S. C. BACON . *Vice-President & General Manager*
- R. W. MITCHELL . *Vice-President & Secretary*
- F. J. MOORE *Vice-President*
- A. W. FARMILO *Vice-President*
- F. L. NORWOOD *Treasurer*
- C. C. SMITH . . . *Assistant Secretary-Treasurer*
- | | |
|------------------------|-----------------|
| Manager | Sales Region |
| F. A. VITA | Ontario West |
| C. J. ENGEL | Ontario East |
| J. J. LEHMAN | Quebec Division |
| S. W. MANLEY | Agencies |

EXPLORATION & PRODUCTION SUPERTEST INVESTMENTS & PETROLEUM LIMITED

- A. W. FARMILO *Vice-President and
General Manager, Calgary*

Confused about expo?

Expo '67 Big Big enough to hold "Man and his World." Over 80 pavilions, on three islands in Canada's largest metropolitan area. How to get there? What to see? Where to eat? To make the best of your Expo stay, you need helpful advice. Now, Supertest provides it.

be an expo insider.



- Supertest's colourful Expo Map shows access routes to and through Montreal, a map of the central city and one of the Expo site.
- Consult the Planning Guide, by London Free Press editor W. C. Heine, for valuable, easy-to-read tips and information.
- The Supertest Instant Guide, by S. T. J. Rossiter, has a colour-keyed Expo map to illustrate numbered sequences of the best exhibits at the fair. These routes are matched to transportation and the time you want to spend at Expo. The Instant Guide also includes reviews for culture buffs, swingers, gourmets and film lovers.

Supertest now offers the **Total Information Package** for expo-goers.

Free

from any
Supertest
dealer

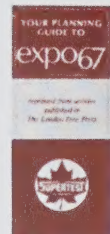


Canada's All Canadian Company

going to expo?

This planning guide contains reprints of a series of three articles, written by Wm. C. Heine, Editor of The London Free Press. It will help you make the most of your time and save countless problems in deciding

- what to see
- how best to see it
- where to go
- how to get there
- where to eat, etc.



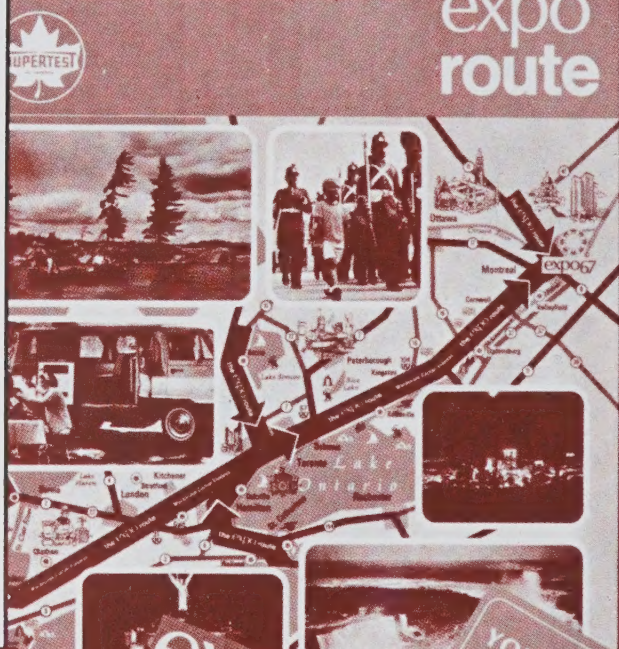
For your FREE copy, write to:
Expo Planning Guide
Community Relations Dept.
The London Free Press, York St.
London, Ontario
OR: pick one up at any Supertest dealer



Canada's All Canadian Company

the expo route

your way to and from Expo, you'll be passing through some of the most interesting and picturesque countryside in Canada. Supertest... Canada's Canadian company... wants you to get the very best out of your trip, so we've handy reference guide to the tourist attractions, services, restaurants, accommodations and historic sites along the way. Detailed maps of Montreal and the Expo site are available free from your Supertest dealer.



expo67

your instant guide

reprinted from articles
published in
The London Free Press



compliments of
All Canadian Company

expo67

Access routes to Montreal
Central City Map of Montreal
Site Map of Expo '67



FREE... expo 67

To help you enjoy your Expo holidays, Supertest now offers you a FREE... expo 67 map... 1967 is showing routes to Montreal, Central City Map of Montreal and the Expo 67. Ask for yours from your Supertest dealer.

Supertest

Dear Shareholder:

As a service to our customers we are making the enclosed map and Guide to Expo available at our service stations.

We thought you would appreciate having these interesting and useful guides and are happy to send them to you.

James McLaughlin
President

July 24, 1967

Supertest Petroleum Corporation, Limited

In keeping with the spirit of Centennial celebrations, SUPERTEST sponsored a number of community projects and sporting events and also produced and distributed maps and brochures to many Expo visitors.



JAMES G. THOMPSON

President

TO THE SHAREHOLDERS

It is my privilege, on behalf of your Board of Directors, to present this report of the activities of your Company for the year ended December 31, 1967. Also presented herein are the financial statements of your Company for the year, the notes relating thereto, and your auditors' certificate.

Sales volumes increased in a satisfactory manner. However, with attendant high costs encountered during the year, earnings carried to surplus amounted to \$1,511,611. as compared to \$1,964,373. in 1966.

Dividends were paid during the year in accordance with the provisions of the 5% cumulative redeemable sinking fund preference shares and at the rate of 50c per share on the ordinary shares and 5c per share on the common shares of the Company.

The year 1967 was a very busy one for SUPERTEST and for Canadians as a whole. It was the year in which Canada celebrated its 100th birthday as a nation. Many varied projects forming part of Canada's birthday cele-

brations were undertaken, of which the main attraction most certainly was Expo 67 in Montreal. Expo, a well executed undertaking, attracted visitors from every corner of the globe and broke all previous records for attendance at a world's fair.

In keeping with the spirit of centennial celebrations, SUPERTEST participated in the sponsorship of a number of community projects and sporting events. Maps and brochures were also produced and distributed to give many Expo visitors more pleasure during their visits. In addition to several new stations built in the Montreal area, a modern, attractive service centre opened during May at Odessa, Ontario, served a great many travellers who journeyed to Montreal from the west.

Since there is little doubt that Expo contributed quite substantially to increased sales volumes during 1967, continued growth in sales at the same rate is not anticipated in the coming year.

Expenses of all kinds continued to rise throughout the year. Higher advertising, wage, material and service costs were all encountered. Intense competitive activity in the oil marketing industry was evidenced by the many promotional schemes which appeared at service stations during the year. In order to maintain its marketing position, SUPERTEST incurred heavy advertising expenditures, mainly in connection with the Lucky License programme, which was conducted in the spring and summer months. With the total use of gasoline by individual motorists being relatively inelastic, there is some doubt that the long term effectiveness of such promotions will do other than cause some customers to temporarily move their patronage from one company to another.

In spite of our historically good labour relations, substantial costs resulted from an unfortunate five week strike at our Toronto and Hamilton terminals during the months of July and August. The work stoppage, involving drivers and warehousemen, was initiated by the Oil Chemical and Atomic Workers of America International Union as a result of their introduction of a national bargaining

programme. The incident caused a deviation from our normal procedures and substantially increased the costs of distribution and delivery of SUPERTEST products to customers during the period.

The building programme begun several years ago was continued, thus providing further realignment of marketing assets. The programme was of major proportions and resulted in record expenditures being incurred for new and rebuilt service stations and product distribution facilities. Higher unit costs of construction were encountered, as were increased opening expenses and maintenance costs. The year's capital programme could not have been completed without the close attention and effort which were given to it by our construction and maintenance personnel.

In view of the magnitude of the investment in real estate represented by the many properties owned by your Company, the rapid growth in property taxes is of material importance. We are, therefore, hopeful that the implementation of the report of the Ontario Committee on Taxation will produce an equit-

The use of larger tank trailer units helps to arrest the rising cost of product distribution. The capacity of this unit is 11,500 gallons.



able tax burden. If this does not happen, the petroleum industry can look forward to an even more progressive rise in property taxes. It appears inequitable that retail service stations should receive any different tax treatment than that of other commercial properties in an area. It is sometimes true that a premium price is paid for a service station site. This results from additional permit requirements which are placed on the oil industry through restrictive zoning by-laws. On the other hand, market value of such a property, if sold, is the same as other retail commercial property in the area in which it is located.

The holders of SUPERTEST credit cards can look forward to even greater convenience and broader coverage in 1968 as the result of arrangements which were concluded whereby credit exchange privileges with the Union Oil Company became effective on January 1st.

In Western Canada your Company's exploration and producing programme proceeded well throughout the year. In addition to the activity reported at the mid-year, SUPERTEST obtained its first production in the province of

British Columbia, where it participated in a modest play. Substantial land interests were acquired in a number of areas throughout northwest Alberta and the North West Territories, which are believed to be of geological interest. Owing, however, to their locations in areas fairly remote from other exploratory activities, it will probably be some time before these holdings can be properly evaluated.

During the year SUPERTEST became the operator of a pressure maintenance scheme in the Carnwood area of Pembina. The facilities for this project were practically complete at the year-end, and actually commenced operation early in 1968. It is anticipated that this undertaking will result in a sizable increase in recoverable reserves in the area and help to offset declining production rates resulting from the Alberta prorationing regulations.

Since the disruption of oil supplies to North America as the result of hostilities in the Middle East last summer, the outlook for increased sales of Western Canadian crude is somewhat more optimistic. It is becoming increasingly evident that there is a growing

The new London Distribution Terminal came into operation during the Autumn. It is adjacent to the Sarnia Products Pipe Line and also flanks the main C.N.R. line from London to Stratford. Covering 3½ acres, it comprises separate buildings for dispatching, fleet maintenance, and agency sales.



desire on the part of the United States to have adequately developed sources of crude oil in more politically stable and accessible areas of the world.

The projected delay in deliveries of gas from Lac la Biche to Trans-Canada Pipe Lines, as reported in last year's Annual Report, has occurred and if the present schedule holds, deliveries should commence in late 1969. It is anticipated that this delay will be offset to some degree by improved pricing and deliveries.

Careful study of the Carter Report on taxation has led your Company to the conclusion that the adoption of this report would be damaging to the oil industry in which we operate. Of even greater importance is that it seems to us to adopt an inward looking and nationalistic philosophy which could only be onerous to Canadians as individuals and harmful to Canada as a whole. As a trading nation, with a need to develop further in this area, it is necessary that Canada maintain fiscal policies compatible with those of its trading partners. To do otherwise would be to invite retaliatory measures and to leave Canada in a more difficult trading position than at present. Government, labour and business, therefore, must view realistically the need to be competitive with our trading customers. We can take little comfort from our seemingly

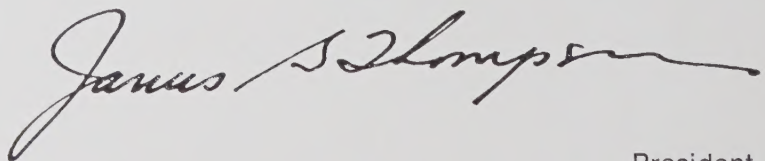
strong position in natural resource industries unless they can remain competitive as new sources of supply will be discovered throughout the world, or alternative materials and processes developed.

Early in the new year, SUPERTEST increased the price of a number of its products. The increases, however, still leave the amount received by your Company for regular grade motor gasoline below that of ten years ago. The increases apparent in recent years at retail service station pumps result largely from increased direct taxes. For example, Ontario Gasoline Tax and Federal Sales Tax currently total approximately 20.1c per gallon, or 40% of the present retail pump price.

A great deal of interest has been generated in the SUPERTEST Ladies Open golf tournament since its inception in London, Ontario, two years ago. It is a major sporting event and provides the only opportunity for Canadians to see the world's outstanding lady golfers in Canada. We are pleased that the 1968 tournament will be held in Toronto during July at the Bayview Country Club.

I take great pleasure in joining my fellow officers and directors in expressing our appreciation for the outstanding contributions which have been made by our employees, agents and dealers in the success which the Company has enjoyed during 1967.

On behalf of the Board,

A handwritten signature in dark ink, reading "James S. Thompson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

April, 1968

President

The outstanding contribution made by loyal employees, agents and dealers, is recognized each year by long service awards. Many of these date back over thirty-five years.



SUPERTEST PETROLEUM CORPORATION

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at December 31

ASSETS

CURRENT ASSETS

Cash	\$ 163,138	\$ 757,122
Short-term investments at cost and approximate market value	2,000,000	3,690,992
Government of Canada bonds at cost and approximate market value	50,000	45,356
Accounts receivable	7,535,779	7,233,919
Inventories of products and merchandise valued at the lower of cost and replacement cost	1,008,036	824,502
Prepaid expenses and supplies	341,053	425,155

11,098,006

12,977,046

REFUNDABLE DEPOSITS WITH GOVERNMENTS

92,090

170,576

INVESTMENTS

Mortgages and loans receivable	2,357,578	2,527,758
Investments, at cost	836,091	769,655

3,193,669

3,297,413

SPECIAL REFUNDABLE TAX

159,216

106,366

PROPERTY, PLANT AND EQUIPMENT, at cost (Note 1)

48,825,307

44,474,700

Less — Provision for depreciation, depletion
and obsolescence

22,080,905

20,882,358

26,744,402

23,592,342

OTHER

Deferred charges	211,943	222,645
Commission on preference shares	60,433	60,752
Goodwill	200,000	300,000

472,376

583,397

\$41,759,759

\$40,727,140

LIMITED

1967



LIABILITIES

CURRENT LIABILITIES

Accounts, payable and accrued	\$ 9,150,762	\$ 8,480,454
Sales and motor fuel taxes payable ..	1,507,812	1,546,545
Dividends payable	225,028	226,011
Income taxes payable	734,921	1,336,893

11,618,523

11,589,903

LONG-TERM DEBT

Mortgages payable	185,826	159,344
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MINORITY INTEREST IN SUBSIDIARY COMPANY

—

29,800

SHAREHOLDERS EQUITY

CAPITAL STOCK

Preference shares having a par value of \$100 each of which 17,266 shares are 5% cumulative redeemable sinking fund preference shares (Note 2)

Authorized	29,266 shares
Issued	17,266 shares

1,726,600

1,735,700

Ordinary non-voting shares of no par value

Authorized	1,375,000 shares
Issued	688,780 shares

5,079,750

5,079,750

Common voting shares of no par value

Authorized	2,500,000 shares
Issued	1,250,000 shares

25,000

25,000

6,831,350

6,840,450

RESERVE FOR CONTINGENCIES

265,000

265,000

EARNINGS RETAINED AND USED IN THE BUSINESS

22,859,060

21,842,643

29,955,410

28,948,093

\$41,759,759

\$40,727,140

SIGNED ON BEHALF OF THE BOARD

James G. Thompson, *Director*

Fred L. Norwood, *Director*

SUPERTEST PETROLEUM CORPORATION, AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings for the year ended December 31, 1967

	1967	1966
REVENUE		
Gross operating revenue	\$54,143,438	\$50,188,065
Income from investments	418,552	399,459
	<u>\$54,561,990</u>	<u>\$50,587,524</u>
EARNINGS BEFORE PROVISION FOR DEPRECIATION AND DEPLETION	\$ 5,340,741	\$ 6,011,485
PROVISION FOR DEPRECIATION AND DEPLETION	2,230,982	1,973,280
	<u>3,109,759</u>	<u>4,038,205</u>
NET EARNINGS BEFORE PROVISION FOR INCOME TAXES PROVISION FOR INCOME TAXES	1,498,148	1,973,832
	<u>1,611,611</u>	<u>2,064,373</u>
NET EARNINGS	1,611,611	2,064,373
GOODWILL WRITTEN OFF	100,000	100,000
	<u>\$ 1,511,611</u>	<u>\$ 1,964,373</u>
TRANSFERRED TO EARNINGS RETAINED AND USED IN THE BUSINESS		

Consolidated Statement of Earnings Retained and Used in the Business for the year ended December 31, 1967

	1967	1966
BALANCE AT BEGINNING OF YEAR	\$21,842,643	\$19,528,038
Net earnings for the year	1,511,611	1,964,373
Gain (loss) on disposals	(1,786)	850,619
	<u>23,352,468</u>	<u>22,343,030</u>
Dividends declared		
Preference shares	86,518	93,497
Ordinary shares	344,390	344,390
Common shares	62,500	62,500
	<u>493,408</u>	<u>500,387</u>
BALANCE AT END OF YEAR	<u>\$22,859,060</u>	<u>\$21,842,643</u>

LIMITED

Consolidated Statement of Source and Application of Funds for the year ended December 31, 1967

	1967	1966
SOURCE OF FUNDS		
<i>From operations</i>		
Net earnings for the year	\$ 1,611,611	\$ 2,064,373
Non-cash charge for		
Depreciation and depletion	2,230,982	1,973,280
Proceeds from disposal of fixed assets	3,842,593	4,037,653
Decrease in investments	631,164	1,911,869
Other items	103,744	45,346
	113,091	180,561
	4,690,592	6,175,429
APPLICATION OF FUNDS		
Acquisition of fixed assets	6,042,894	4,678,562
Dividends declared	493,408	500,387
Special refundable tax	52,850	106,366
Redemption of preference shares	9,100	264,800
	6,598,252	5,550,115
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (1,907,660)	\$ 625,314

Notes to Consolidated Financial Statements December 31, 1967

1. POLICIES GOVERNING DEPRECIATION AND DEPLETION

Producing properties

The company follows the practice of charging exploration expenses and the carrying costs applicable to non-producing properties to income as incurred. Property acquisition costs are capitalized and charged to income if the property is subsequently surrendered. The costs of productive wells are capitalized and the costs of non-productive wells are charged to income when the wells are determined to be dry. The cost of producing properties and producing development costs are amortized on a unit of production method based upon estimated recoverable reserves of oil and gas as determined by company engineers.

Other plant and equipment

Depreciation of physical assets is charged to earnings at unreduced rates allowed by the Income Tax Act which are considered adequate to extinguish the cost at the end of their estimated useful life.

- The 5% cumulative redeemable sinking fund preference shares are callable at \$103 each except when redeemed for sinking fund purposes when the price is \$100 per share.
- The company paid \$226,358 to directors and senior officers during the year.

AUDITORS' REPORT

To The Shareholders

Supertest Petroleum Corporation, Limited

We have examined the accompanying consolidated financial statements of Supertest Petroleum Corporation, Limited and its subsidiary companies for the year ended December 31, 1967 comprising the consolidated balance sheet as at that date and the consolidated statements of earnings, earnings retained and used in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants

London, Ontario
March 11, 1968.



Canada's Finest Petroleum Products.



Canada's All Canadian Company